

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 L-03 TRSE-00

PA-04 PRS-01 USIA-15 OMB-01 DRC-01 /082 W

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R 072052Z JUN 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3651

INFO AMCONSUL MONTREAL UNN

AMCONSUL TORONTO UNN

AMCONSUL WINNIPEG UNN

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E.O. 11652: N/A

TAGS: ETRN, EIND, CA

SUBJECT: AEROSPACE INDUSTRY, FURTHER GOC INVOLVEMENT IN
AIRCRAFT MANUFACTURING

REF: OTTAWA 1601; OTTAWA 1688

1. SAUNDERS AIRCRAFT CORP. LTD., DESCRIBED AS OWNED
BY MANITOBA GOVERNMENT THROUGH MANITOBA DEVELOPMENT
CORPORATION, WILL BE BENEFICIARY OF \$4 MILLION IN GOC
FINANCIAL SUPPORT. NO APPARENT CONNECTION EXISTS
BETWEEN THIS DECISION AND LAST WEEK'S ANNOUNCEMENT
REGARDING DE HAVILLAND AND CANADAIR. HOWEVER, THERE
ARE REPORTS THAT GOC IS THINKING OF A BROAD, NATIONAL
INTEGRATION OF FIRMS IN CANADIAN AEROSPACE INDUSTRY AND
THIS COULD BE PART OF SUCH A PLAN. LIKEWISE, THERE HAS
BEEN PRESS SPECULATION ABOUT GOC INTENTIONS VIS-A-VIS
STRIKE-BOUND UNITED AIRCRAFT CORPORATION AT MONTREAL
WHICH MANUFACTURES ENGINES.

2. PRESS REPORTS INDICATE FUNDING WITH RESPECT TO
SAUNDERS IS EQUALLY DIVIDED BETWEEN GRANTS UNDER
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DEPARTMENT OF REGIONAL ECONOMIC EXPANSION PROGRAMS

AND DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE'S INDUSTRIAL TECHNOLOGY ASSISTANCE PROGRAM. SUPPORT WAS ANNOUNCED IN WINNIPEG ON JUNE 5 BY DREE MINISTER JAMIESON, THERE TO SIGN A MASTER AGREEMENT OF COOPERATION WITH GOM WHICH MAY ALSO PROVIDE ASSISTANCE FOR A PROVINCIALLY-OWNED BUS MANUFACTURING FIRM, FLYER INDUSTRIES LTD. BOTH SAUNDERS AND FLYER HAVE BEEN DESCRIBED AS IN POOR FINANCIAL HEALTH.

3. NO DREE PRESS RELEASE HAS BEEN ISSUED REGARDING THIS ANNOUNCEMENT. WE ARE FORWARDING TO DEPT (EUR/CAN AND EB/OA/AVP) CLIPPINGS FROM TORONTO GLOBE AND MAIL OF JUNE 6. THESE ARTICLES INDICATE SAUNDERS IS A SMALL OPERATION WITH 500 EMPLOYEES AT GIMLI, MANITOBA. IT HAS BEEN CONVERTING DE HAVILLAND HURONS INTO A COMMUTER AIRCRAFT, ST-27, AND HAS DEVELOPED A STRETCH VERSION, ST-27B, TO BE MARKETING IN 1975 AND FOR WHICH IT IS SEEKING US CERTIFICATION. PRESIDENT REG KERSEY IS QUOTED AS SAYING THERE IS A BIG, WORLD-WIDE MARKET FOR THIS TYPE AIRCRAFT IF SAUNDERS GETS US CERTIFICATION.

4. COMMENT: TIMING OF ANNOUNCEMENT BY GOCIN MIDST GENERAL ELECTION CAMPAIGN SHOULD BE NOTED. LIBERAL PARTY IS OBVIOUSLY BIDDING FOR GREATER SUPPORT IN MANITOBA THAN IT CURRENTLY HAS. (LAST MONTH'S DECISION TO RELOCATE AIR CANADA MAINTENANCE FACILITIES TO WINNIPEG SHOULD BE SEEN IN THIS CONTEXT.) HOWEVER, THERE IS NO APPARENT REASON TO BELIEVE SUPPORT FOR SAUNDERS WOULD BE WITHDRAWN IF THERE WERE A CHANGE OF GOVERNMENT.
PORTER

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